Eco-Label and its Role in the Development of Organic Products Market

George Sebastian ATĂNĂSOAIE
PhD. Student, The Bucharest University of Economics Studies, ROMANIA
atanasos@gmail.com

Abstract: Purpose - The main objective of this paper is to analyze the way in which eco-label evolved and its role in the development of the organic food products (PAE). Eco-labels are analyzed in terms of issues related to environmental labels used, their effectiveness and sometimes the negative role in market development.

Methodology - This paper is based on secondary sources of investigation, the specialized literature regarding the eco-labels used on organic products market.

Findings - The paper shows that there is an undeniable positive contribution of eco-labels in developing specialized markets but this contribution does not manifest to the full potential due to the existence of some problems related to insufficiency of labels promotion campaigns, confusion it causes eco-labels among actual and potential consumers and the costs of certification.

Originality / value - This paper explores the factors that determine the success or failure of eco-labels in the market development of PAE. The ideas in this paper can be used by marketers in the PAE sector.

Keywords: ecological food products (organic), eco-label, promotional communication, message, promotional communication techniques.

Introduction

Eco-label is a marketing tool that appeared in order to facilitate market development of organic products. The way were used the multitude of eco-labels on the market decisively conditioned the eco-label efficiency as a factor of market development. The term "ecological" is replaced in Anglo – Saxon area with the term “organic” in German area is used the term “ökologisch” (ecologic), in Italy and Hungary is used “bio”.

This study aims to make a radiography of how the eco-label evolved from their creation to the present in order to determine how it has helped or hindered the market.

There are several benefits of using labels, among which stands out the possibility of obtaining better prices, creating a positive image of the brand, creating good relations with public authorities and the opportunity to identify ways to reduce costs.

Lack of trust in organic labels induces a state of confusion to consumers and delays a lot market development. When the market is still undeveloped eco-label should be promoted extensively nationally and less certain products because it is likely to have problems with the availability of those products.

1. Types of Eco-Labeling

Organic production standards and certification systems related to these standards are very important for market development. Initially, when farming was less developed, private organizations have developed organic production standards before governments. Afterwards, when governments have developed organic production standards, they were so different and this fact in conjunction with the continued existence of private standards has led to complications regarding market development as they were restricting trade development with organic agricultural products [19, 38-55]. Therefore was created an international organization "The International Task Force" with the purpose of harmonizing standards to facilitate trade in this market. From this point of view the recently agreement made
between the EU and the U.S.A on trade facilitation for organic food products has positive impact regarding the development of the organic food products.

Some economic agents are investing in the development of some private labeling systems and eco-labeling to increase consumer confidence (George Atănăsoaie, 2011, Distribution channels).

There are many types of eco-labels. A first classification of these is performed by Deere (1999) according to the body that initiates these tags classifies labels as follows:

- Labels issued by the first part, determined by the producing or distributing companies of organic products according to their own standards
- Labels issued by the second part, by the associations of producers or retailers who implement by themselves or with foreign aid conformity assessment procedures with the standards on which underlies the label
- Labels issued by a third party who is not manufacturer or distributor and that creates standards and verifies their compliance by the economic agents involved in this market
- Labels issued by a third party but have a very good reputation and notoriety so that their production protocols have a wide acceptance among economic agents in this market.

In the United States, national labeling system for organic products implemented by the National Organic Program, the body from the USDA (United States Department of Agriculture) is made different depending on the number of ingredients of which is made up a product [18]. Food labeled as organic must not contain ingredients derived from genetically modified organisms.

For products of single ingredient such as organic fruits and vegetables, it is used the label "USDA Organic." For products composed of more ingredients there are three types of labeling. Products that are produced only with organic ingredients (excluding water and salt) can be labeled "100 percent organic" while products containing at least 95% of organic ingredients can be labeled with the label "organic." For products containing at least 70% of organic ingredients can be used the labeling "made with organic ingredients" with the mention that the manufacturer is allowed to specify three organic ingredients. For products containing less than 70% organic ingredients is possible to mention what ingredients are organic but cannot have USDA label. On the label shall include the name and contact details of the certification company.

There are critics of the labeling scheme introduced by NOP regarding eco-labels cost which becomes higher because these are used two additional colors.

In EU was introduced "Euro-leaf" organic logo whose application on prepackaged food products containing at least 95% of organic ingredients is mandatory from 1 July 2010. For organic products that are not packaged or those imported is not necessarily the application of EU logo (http://ec.europa.eu/agriculture/organic/home_ro ).

Also, community logo must be accompanied by an indication of provenance place ("EU Agriculture ", “non-EU Agriculture”, “EU / non-EU Agriculture” or the name of the country if all the ingredients come from that country) and of a code that refers to organic certification body (EUR-Lex, 2012).

The main private organic certification standards in the EU are: Demeter International, AT Bio Austria, CH BIO SUISSE, CH Demeter, DE Bioland, UK Soil Association. Private certification systems in the EU are in competition with public systems of certification and competition manifests also by approaching of some topics that are not regulated by the community standards or national standards of EU countries. Thus, there are private standards that regulate issues on fertilizers used in organic farming (CH BIO SUISSE Swiss standards), the content of chemical residues in soils for the production of organic products (BIOKAP Dutch standard developed by the producers and traders organization of organic agricultural products from Netherlands). Germinating substrate composition is regulated by private standards such as: Demeter International, CH Bio Suisse, DEBioland, DENaturland, UK Soil Association.
Also, organic logos stand by the fact that they cause different availabilities among consumers to pay for those organic products bearing such logos. From this point of view the distinguishing logos are: Demeter, Bio Suisse and Soil Association [9].

The combined use of both the community logo as well as any other public or private organic logo is required if consumers perceive product better than if it was labeled only with the community logo. There must be conducted public information campaigns on the community logo and other organic logos used in that country, and these campaigns should be carried out both by governments and by economic agents (farmers, distributors, retailers, processors, certification organizations, etc.) involved in the market of organic food products.

One way of differentiating logos in organic products market is the certification control modality. In countries where PAE market is highly developed consumers have more confidence in the certification bodies in those countries (eg Denmark and the UK) and, consequently, on private eco-labels it should be stated that the manufacturer was controlled by a certification body in that country [9].

In the future there will be an increasingly use of the eco-labeling schemes that will highlight also product information on the contribution to the community development, the multiplier effect of this product on inputs used, the sustainability of the product in order to distinguish it from other organic food products produced and transported in an unsustainable way by consumers that will be more informed.

In the absence of this effective measures to promote eco-labels (at which can be used some of the funds paid by farmers for organic certification) it can be said that, to some extent, eco-labels will remain misleading for consumers of these products failing to fulfill their main role, that of supporting market development by providing guarantees.

Eco-label determines an increase of the product perceived quality and leads consumers to believe that the product organic labeled is more friendly with environment unlike products bearing no eco-label.

The use of eco-labels along with a private eco-label can be very useful only under certain circumstances. Thus, it is necessary that both labeling and marking systems provide complementary information and not redundant. Moreover, the impact of using an eco-label is higher if the brand of organic food products on which is placed the eco-label is less known. Similarly, if the organic product that will receive an eco-label is produced under a brand with a large capital, the combination of an eco-label has less impact [10, 85-104].

Marketing strategy of actors in organic food products field must contain a special chapter dedicated to the way consumers perceive the quality of these products with eco-labels help. Thus, on markets in early stages of development, consumers do not have information about organic certification bodies and confuse healthy food while these foods incorporate many more features than to be sanogenetic. In former socialist countries there have been over the past few years few scandals concerning food quality, quality which was defined mainly by the specification of the product and appearance. Eco-label defines quality of products according to the production process and by other socio-cultural aspects and not on the product specifications. Consequently, there is a sense of confusion and mistrust about the eco-label for which immediate communication actions are necessary, actions in which especially the state must be involved as the sector becomes more profitable [13].

The way in which public information campaigns on eco-labels are carried out determines success in market development of eco-labels. The information submitted must be perceived by consumers as being appropriate for their lives. No competitive market can function well without informed agents.
 Consumers’ education campaigns are necessary especially because the consumers' perception on different certification and eco-labeling systems is not always determined by an objective knowledge but on subjective opinions regarding to stricter conditions or less strict of production [9].

Also, any communication strategy implemented in former communist countries on organic products must notify consumers of their right to decisively influence the production manner of organic products, and especially taking into account the animal welfare, rural development, supporting local and regional producers issues.

2. Effectiveness of Eco-Labels

The efficiency of an eco-label is influenced by the existence of opportunities to easily compare products, a recognizable design, "healthy food" theme approach and existence of a third party that verifies compliance.

Effectiveness of eco-labels should be evaluated in terms of consumer behavior, in terms of its transition from one stage to another in the purchasing decision. Thus, the first stage is the awareness of consumers about the eco-label accompanying the product. Awareness can be evaluated also from the perspective of consumer visual recognition, recognition which is made more difficult by the multitude of labels that were used on this market.

Although information campaigns made in order to increase consumer awareness about the eco-label may prove useful in developing the market, some studies show that increasing awareness and the existence of a positive attitude does not necessarily imply a change in a favorably sense of the purchase and consumption behavior [14, 90-616].

If the certification bodies do not involve in educating consumers about the production standards behind their label, their market share will be lower than competitors who engage in consumers’ education. Consumers’ education costs can be reduced if governments engage in clearly defined terms that can be stated on the label. Due to the heterogeneity of the information that are not written on the eco-labels, consumer search costs are high, hence the need to increase the clarity and comparability of information on labels to lower consumers search costs and not to increase the degree of confusion of consumers about the eco-labels on the market [12]. Inefficiency of information campaigns is given also by the lack of experience in the promotional communication and financial resources insufficiency of the certification bodies.

The second stage of development of consumer – eco-label relationship is the understanding of eco-label, criteria underlying that label. Understanding of eco-labels vary proportionally according to public awareness and this dependence is manifested differently in depending on other factors such as clarity, relevance, method of conducting promotional communications campaigns [17, 83-104].

The multitude of eco-labels existing on market and production standards for these labels can cause problems regarding to understanding by consumers of eco-labels. If some consumers do not understand the eco-label it can be stated that it is an ineffective tool in market development.

Often misunderstanding of labels leads to discrediting them among consumers and their credibility can be improved through effective implementation of information campaigns and ensuring ecological characteristics of the products to a third party that is the organic certification body.

The credibility of eco-labels is influenced by the quality characteristics of the products. Quality characteristics must be identified which determine the credibility of the label. At some organic products there is a perceived or objective correlation between the characteristic of being environmentally friendly and quality characteristics such as appearance, taste, brand reputation but also the point of sale design [1, 111-119].
Due to the higher prices of organic products on market there were situations where food products from industrial agriculture have been marketed with eco-labels which affected the credibility of eco-labels and, consequently, PAE demand has not increased a lot. There are opinions that the implementation of a more effective system of control and penalty would be effective despite the high costs generated [7, 35-50].

**Attitude** is the third stage of development of the relationship between consumers and the eco-label. Socio-demographic factors are important in terms of consumer attitudes evaluation toward the criteria used by eco-labels. There are environmental labels that use different sets of criteria for product differentiation [8]:

- The presence of toxins in products
- The presence of artificial substances in products
- The emission of greenhouse gases due to production, transportation and consumption of the product
- Resources consumed during production
- Waste produced
- Non-renewable resources used in producing the product
- The amount of energy consumed in manufacturing
- Water pollution due to manufacturing
- Geographical origin of the product
- Geographical origin of the raw materials
- The use of child labor in production
- Local production

Standards strictness also influence attitude of consumers. Although too strict standards, present attractiveness to consumers, who will have a positive attitude, are less attractive for producers.

Women aged over 39 years, who have independent jobs, with high levels of education have a positive attitude towards eco-labels unlike men and children for which eco-label is much less important when purchasing food products [6].

Attitude is better toward eco-labels guaranteed by bodies involved in environmental protection in comparison with labels backed by representatives of manufacturers, retailers and government.

**Purchase intention and actual purchase** is the fourth way of influencing consumers by the eco-labels. It can be said with certainty that the presence of organic labels on products increases intention of purchasing but the extent to which this occurs varies by socio-demographic factors and lifestyle.

**Repeated purchases** of eco-labeled products are performed as a result of experiences gained assessment at first acquisitions, experiences that can lead including in attitude change in the negative sense, and hence also renunciation to subsequent purchase of these products. Generally if a consumer purchases food products repeatedly eco-labeled this leads to making other purchases of these products.

3. **The Negative Influence of Eco-Labels in the Market Development**

An obvious problem on organic food products market consists in informational asymmetry which occurs because these products are made of "believe" type, the consumer must believe in the beneficial effect of these products to the environment without feeling the effect immediately, and the manufacturer is tempted to overstate the ecological character of his products. Hence results the obvious need to be involved in this market a third party, the certification body that guarantees by specific means the compliance of organic production standards.

There are opinions that eco-labels on the one hand helps to increase consumer confidence in organic products, while on the other hand, prevents the development of markets because it relies on a certification system quite expensive, especially for small farmers who want to enter the market. A
system of local standards designed on the framework summary of national standards would be more useful especially for undeveloped markets. Bureaucracy should be replaced by trust and cooperation, especially for small farmers. In the United Kingdom it was launched in 1999 at Devon the first local system of certification and eco-labeling - The Wholesome Food Association - system by which the logo used ensured consumers that the products were produced locally and that small producers enjoyed the confidence of the community to which they belonged (Sky McCain and Phil Chandler, Local Symbol Systems: Local Food - Local Label).

As a result, these are favoured large farms, some of them located at great distances, leading organic farming away from the spirit of those that began to develop the market a few decades ago. Consumers are willing to pay more for food produced locally, mainly because they want to eat fresh products. Another reason, of lesser importance, is their willingness to support farming families from area where they live [11]. Several formulas for calculating the impact of freight transport on environment were developed, formulas that take into account the transport distance, weight of the product and greenhouse gas emissions during transport.

Consumers also have trouble understanding information contained in eco-labels, especially on labels showing the transport distance of products from the place of production to the place of consumption.

The organic label is not always understood by consumers in an appropriate manner because it is not promoted in an efficient manner toward consumers. It was found the failure of some eco-labels to incorporate environmental and social values that are important to certain categories of consumers of organic products. There are consumers of these products who practice ethical consumerism based on values such as: fair prices for farmers, supporting local and regional producers and animal welfare [20].

Ignoring these values in the design and use of eco-labels causes a insufficient rapid development of organic food products market and requires a reassessment of these labels although there are quantitative and qualitative problems in incorporating these values in eco-labels. If eco-label role is reduced only in detailing organic production practices which are permitted, it is needed actions to eliminate the distance between the label role and the consumer’s motivations for organic products [3, 40-43].

Consumers’ willingness to pay for PAE is higher if those products bear eco-labels indicating the domestic origin of product (Bio Suisse, for example). Certification bodies must carefully choose the geographical limits on domestic nature of the product because in case of big countries such limits is better to refer to regions unlike the case of small countries where geographical boundaries should relate to the borders of that country [9].

Inscribing on eco-labels of such data will change the organic products market offering an extra chance to small and medium farms engaged in a competitive struggle with large organic farms.

In contrast to the above mentioned, it was developed the logo "Fairtrade" in order to help farmers in developing states to access under favorable conditions the developed markets. There are organic stores that sell only PAE labeled with the logo "Fairtrade", logo which is an important element of the promotional communication.

The costs of eco-labels are higher especially for farmers in less developed countries that export these products to other countries because they have to cover expenses related to certification, translations, verification inspections which sometimes result in restricting the production and export of organic products.

There are worries that the number of eco-labels is already too high and that a further increase would harm the organic products market but it was noticed that the emergence of a new label on market its harmful for it, only to the extent that labels that already existed contained information incomplete
because it causes an increase in prices of organic products and a decrease in product quality. If labels that are already on the market contain complete information the emergence of new labels leads to increase of the organic products quality on the market ()

Another direction of development of related standards and eco-labels is the guarantee of the agricultural workers rights, the rights of indigenous communities and economic justice for small and medium farmers. In this respect various non-governmental organizations carry out persuasive actions towards the organic certification bodies so that they would take into account of these grievances when designing eco-labels.

The effectiveness of an eco-label is directly influenced by the manner in which it is communicated to the public. It is needed for eco-labels to contain information that shall increase their credibility but also the implementation of information campaigns by those who certify organic products. Also, for this industry it would be beneficial the existence of some mandatory provisions on information contained by the label, which would lead to an accurate perception by consumers of the environmental characteristics of products [16, 141-150].

Sometimes large retailers develop their own eco-labeling schemes to improve their image affected by the large dimensions reached by those retailers and this leads to the eco-labeling discrediting in general.

Finally it should be noted that although eco-labels have proven efficiency in market development, economic agents operating in the market of organic food products should not count only on eco-labels as a marketing tool but they must borrow conventional marketing strategies and tactics that can prove to be very effective in attracting various categories of potential consumers. It is also needed of deep researches on consumer needs and on how they react to various promotional strategies [15, 567-576].

Conclusions

There is a trend in terms of the eco-labels to signal the production inputs from organic farming as the main mean of differentiation from food products derived from industrial agriculture. It is necessary to redefine at a national and international scale of the problem so that eco-labels to show that the value of organic food products lies not only in the inputs used but also in process effects of ecological production on the local, national and international communities. Hence the concentration of information campaigns not on the product but on the process of production and effects.

Using alongside of community logo other private logos based on stricter standards for organic production may prove to be useful only to the extent that consumers perceive an added value, and to perceive this value is necessary that those private certification bodies to carry out actions of consumer awareness about organic logo and about what lies behind that logo.

Development of organic agriculture in developing countries is directly related to the export of organic products on more developed markets but must be harmonized the eco-labels from exporting countries so that the labels does not turn from a catalyst of market development in a restrictive factor. The role of government in this regard is very important because it can help producers to adapt their production facilities to the requirements alleged by an organic certification accepted in the importing countries.

Mutual recognition of organic labels stimulates organic farming field and practice has shown that there aren't insurmountable obstacles in this regard if it is wanted the development of organic products trade. Transparency regarding assessment and evaluation criteria used for eco-labels is an extremely important factor in terms of eco-labels efficiency in market development.

Due to the high cost of certification it can be said that there are organic products uncertified and this situation requires a special attention that could result in effective strategies for certification to remove these products from the gray area and to capitalize this untapped potential.
References


